

November 14, 1997

Ms. Cynthia L. Johnson  
Director, Cash Management Policy and Planning Division  
Financial Management Service  
United States Department of the Treasury  
Room 420  
401 14th Street S.W.  
Washington, District of Columbia 20227

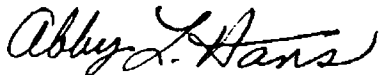
Re: 4810-35  
DEPARTMENT OF THE TREASURY  
Fiscal Service  
31 CFR Part 208  
RIN 1510-AA56  
Management of Federal Agency Disbursements

Dear Ms. Johnson:

The Community Currency Exchange Association of Illinois, Inc., a not-for-profit trade association representing 700 currency exchanges (check cashers) in the State of Illinois, or 99% of the total number of Illinois currency exchanges, respectfully submits the attached commentary to the "Notice of proposed rulemaking; notice of public hearings" related to the above-referenced regulation.

We are grateful for your careful review of our commentary and would appreciate the opportunity to provide you and your associates with any additional information you might desire.

Very truly yours,



Abby L. Hans, President  
Community Currency Exchange Association of Illinois, Inc.

Encl. Commentary to proposed rulemaking

EFT  
#050

**COMMENTARY ON PROPOSED RULEMAKING**

**4810-35**

**Department of the Treasury**

**Fiscal Service**

**31 CFR Part 208**

**RIN 1510-AA56**

**Management of Federal Agency Disbursements**

**Submitted by**

**COMMUNITY CURRENCY EXCHANGE**

**ASSOCIATION OF ILLINOIS, INC.**

**118 N. Clinton Street, Suite 305**

**Chicago, IL 60661**

The Community Currency Exchange Association of Illinois, Inc. (CCEA) is the not-for-profit trade association representing 700 currency exchanges (check cashers) in the State of Illinois, or approximately 99% of the State's total currency exchanges. The commentary herein is directed toward the Treasury's proposed rules to implement 31 CFR Part 208 and is being submitted prior to the December 11, 1997 deadline.

We believe that the Treasury recognizes the unique role that our nation's 5,000 currency exchanges and check cashers play as the "lifeline" in providing financial services to the estimated 10,000,000 "unbanked" government benefit recipients across the country. For decades, these consumers have exercised their privilege of choice in deciding to conduct their financial business through currency exchanges and check cashers instead of through more traditional banking relationships--which, in many cases, are not even readily available to this important segment of American consumer. For decades, our industry has willingly addressed the financial needs of this "unbanked" segment of the American population. We have enthusiastically provided check-cashing services--*at State-Government regulated fees*--to those who prefer to obtain this important service at our locations. We issue money orders at affordable fees to those who prefer

to make payments in this manner as opposed to writing checks on an account with a financial institution. Additionally, we provide a convenient, "one-stop" place to transact a myriad of day-to-day financial transactions, such as wire transfers, payment of utility bills, purchase of license plates, notary public and FAX service, to name a few.

The CCEA has also recognized the positive effects that EFT can represent to "unbanked" consumers who may prefer to take advantage of this technology. With innovation, resourcefulness and continued emphasis on **meeting the "unbanked" consumers needs and preferences**, the CCEA developed and launched in February, 1997 its "SecureCheck" direct deposit program in conjunction with two Chicago financial institutions, LaSalle National Bank and Corus Bank. The program allows the customers of currency exchanges and check cashers to make arrangements for having their government benefits direct deposited to an account in their name at one of these two banks, and to pick up the benefit amount regularly in the form of a "SecureCheck" at the currency exchange or check casher where they prefer to do business. This program has met with the approval of the Comptroller of the Currency and with the Social Security Administration. Consumer acceptance of the "SecureCheck" program has surpassed all expectations as nearly 40,000 customers have signed on for the program in the first seven months of its availability. This low-cost program is available nationwide to customers of check cashers at a monthly fee of about \$1--the most economical program for the consumer on the market today. Enhancements are underway to allow customers in Illinois the option of accessing their funds via ATM in many currency exchanges. The State of Illinois is about to advise all of its employees that this affordable direct deposit service is available to them through participating currency exchanges.

The CCEA and its member locations will continue to demonstrate willingness to cash government checks for those recipients who qualify for waivers from EFT and to assist those who prefer to convert to EFT through its SecureCheck program. We respectfully submit that the Treasury should take every step possible to maintain and even nurture the critical “lifeline” that has been established over decades between the check-cashing industry and the nation’s “unbanked” population and to protect the individual consumer’s right and privilege of choice in determining how his or her financial needs are to be met.

We believe that the Treasury would be denying the consumer his or right of choice if the Department proceeds on its proposed course “to bring into the mainstream of the financial system those millions of Americans who receive Federal payments and who currently do not use the financial system to receive funds, make payments, save, borrow or invest” (p. 5, “*Notice of Proposed Rulemaking*”). We do not believe that forcing the “unbanked” population to do business with the traditional banking institutions is in the best interests of consumer choice, free enterprise, or competitive pricing. A high percentage of American consumers seems perfectly content to rely on non-bank institutions or financial service businesses for their day-to-day money management needs. Further, we see no correlation whatsoever between where or how a consumer receives his or her government payments and the pre-disposition that he or she might have to save, borrow and invest.

We support our industry’s national trade association’s position (p. 14, *Notice of Proposed Rulemaking*) in urging Treasury to define “authorized payment agent” in a manner that would allow check cashers to be designated as authorized payment agents. As already expressed in prior hearings and commentaries, our industry believes that we are in a unique position to deliver

payments to Federal recipients because of our locations in areas where there are few bank branches. Moreover, many of these consumers would prefer to continue doing business with their check casher rather than directly with a bank. Although the CCEA's "SecureCheck" program is delivered in conjunction with our national bank partners and in such a way that actually opens a direct deposit account for the customer at one of our two partner banks, we feel that it is in the best long-term interests of the consumers we serve if check cashers were included in the definition of "authorized payment agent".

We respectfully request that Treasury find a way to include the check-industry in its ultimate solution for providing the account specified in Section 208.5 (pp. 39 to 48, *Notice of Proposed Rulemaking*). We do not believe it is in the consumer's best interest nor in the spirit of free choice to **mandate** that this nation's "unbanked" Federal payment recipients open an account at a single financial institution or at one of pre-determined group of financial institutions. Programs such as "SecureCheck" are viable, affordable, and most appealing to consumers and Federal agencies alike, particularly the Social Security Administration. We encourage the Treasury to recognize on an ongoing basis the legitimacy of such alternative programs even after the account specified in Section 208.5 is determined.

The CCEA cogently opposes the view of those who would urge the Treasury "to adopt restrictions for the account that it furnishes that would preclude arrangements between the financial institution at which the account is maintained and third parties, such as check cashers and money transmitters, under which recipients might be provided with additional means of accessing the account. Those favoring such restrictions argue that recipients should be protected against

excessive charges that might be imposed for such services” (p. 46, *Notice of Proposed Rulemaking*).

We remind the Treasury that the fees charged by currency exchanges and check cashers are, in some states, regulated by their respective State governments. In most cases, the cost of purchasing basic financial services (i.e. direct deposit, money orders, check cashing) is substantially less at a currency exchanges or check cashers than the “unbanked” customer would pay at a financial institution. Most financial institutions require minimum balances to avoid fees that would exceed the funds that the typical “unbanked” customer could expect to maintain. Moreover, the fact that many financial institutions are not located in close proximity to this nation’s “unbanked” population would mean that many consumers might have to incur transportation expenses to get to their distant bank, or pay substantial ATM network fees by attempting to make withdrawals at a non-proprietary machine (i.e. one that is not owned by their “mandated” financial institution). A very practical, workable, affordable framework for providing EFT services to the nation’s “unbanked” is already available to customers of currency exchanges and check cashers across the nation. Nearly 40,000 people have already signed on with the program. SecureCheck is working very well. To preclude the type of arrangement between financial institutions and check cashers that gives rise to successful programs such as SecureCheck would be a giant step backward. Frankly, it is difficult to imagine that the Treasury would take any action that would force thousands of Federal payment recipients who already enjoy a reliable, affordable EFT service through their check cashier to switch to another service at a mandated financial institution.

The CCEA recognizes that “the proposed rule is silent on the role that non-financial institutions may play in the delivery of Federal payments to recipients with bank accounts and the relationship between non-financial institutions and such recipients” (p. 51, *Notice of Proposed Rulemaking*). However, we believe that the Treasury is correct in its current assumption that non-banks such as currency exchanges and check cashers will continue to have the opportunity to partner with financial institutions and to market products and services to recipients. As the Treasury’s research and comments received on the interim rule indicate, non-financial institutions have performed such functions in the past and are developing new products and services that will allow them to serve recipients who receive their Federal payments by EFT. The CCEA’s “SecureCheck” program is an example of such an innovation.

The CCEA appreciates the opportunity to comment on these proposed rules. For clarification or further information on any of the comments made herein, please contact: Mr. Abby Hans, Community Currency Exchange Association of Illinois, 312-474-1800.